

Message Text

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16

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-11 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 DODE-00 PA-01 PRS-01 H-02

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R 080520Z JAN 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 7212

INFO USDEL MTN GENEVA

USMISSION OECD PARIS

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL SYDNEY

AMCONSUL MELBOURNE

AMCONSUL BRISBANE

AMCONSUL PERTH

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EO 11652: NA

TAGS: EFIN, AS

SUBJ: RESERVE BANK UPS STATUTORY RESERVE DEPOSIT (SRD) RATE

REF: 75 CANBERRA 6715

1. RESERVE BANK OF AUSTRALIA ANNOUNCED ON EVENING JANUARY 7 THAT EFFECTIVE JANUARY 16 THE STATUTORY RESERVE DEPOSIT (SRD) RATE WOULD BE INCREASED ONE PERCENT TO 7.6 PERCENT. THIS ACTION FOLLOWS ONE PERCENT INCREASE WHICH TOOK EFFECT ON NOVEMBER 5 OF LAST YEAR AND PREVIOUS INCREASES IN SEPTEMBER, AUGUST AND JULY. NEW CALL WILL REQUIRE BANKS TO DEPOSIT WITH RESERVE BANK APPROXIMATELY \$A 150 MILLION (APPROXIMATELY LIMITED OFFICIAL USE

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\$US 189 MILLION AT \$A 1 EQUAL \$US 1.26).

2. COMMENT: INCREASE REFLECTS CONCERN OF GOVERNMENT AND RESERVE BANK OVER CONTINUED STRONG GROWTH OF MONEY SUPPLY, ESPECIALLY IN VIEW OF GOVERNMENT DECISION POSTPONE QUARTERLY COMPANY TAX COLLECTIONS UNTIL END OF FISCAL YEAR (JUNE 30) AND THE EVER-GROWING GOVERNMENT DEFICIT. THE LGS (LIQUID ASSETS AND GOVERNMENT SECURITIES) RATION OF BANKS HAS BEEN ESTIMATED TO BE 28 PERCENT FOR DECEMBER, WHICH IS FAR ABOVE THE MINIMUM CONVENTION OF 18 PERCENT, AND LEAVES BANKS WITH LARGE MARGIN OF FREE LIQUIDITY. ALTHOUGH SINCE BEGINNING OF FISCAL YEAR 1976 BANKS HAVE BEEN "JAWBONED" TO LIMITING NEW OVERDRAFT APPROVALS TO \$A 90 MILLION PER MONTH, IN DECEMBER NEW APPROVALS REPORTEDLY ROSE, FOR THE FIRST MONTH SINCE JULY, ABOVE \$A 90 MILLION TO \$A 93 MILLION.

PERCIVAL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, BANK RATES, BANK DEPOSITS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CANBER00135
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760006-0539
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760177/aaaacqej.tel
Line Count: 76
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 CANBERRA 6715
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 19 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 APR 2004 by SmithRJ>; APPROVED <20 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RESERVE BANK UPS STATUTORY RESERVE DEPOSIT (SRD) RATE
TAGS: EFIN, AS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006